

**MONROE COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT**

**(a component unit of Monroe County, Tennessee)**

**ANNUAL FINANCIAL REPORT**

**June 30, 2012 and 2011**

**MONROE COUNTY  
EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)**

**June 30, 2012**

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**Monroe County Emergency Communications District  
For the Year Ended June 30, 2012**

**INTRODUCTORY SECTION**

**This annual financial report is presented by the following officials:**

**Board of Directors**

Boyd Curtis, DVM  
Chairman  
P.O. Box 41  
Madisonville, TN 37354

Mayor Tim Yates  
105 College Street South, Suite 1  
Madisonville, TN 37354

Harold Hawkins  
405 Spence Street  
Tellico Plains, TN 37385

Sheriff Bill Bivens  
319 Hickory Street  
Madisonville, TN 37354

Randy White  
1013 Meek Street  
Madisonville, TN 37354

Chief Greg Breeden  
315 Englewood Road  
Madisonville, TN 37354

Charles Hall  
203 Monroe Street  
Sweetwater, TN 37874

Chief Eddie Byrum  
P.O. Box 89  
Tellico Plains, TN 37385

Steve Teague  
P.O. Box 160  
Madisonville, TN 37354

## **FINANCIAL SECTION**

**Monroe County Emergency Communications District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2012**

The Monroe County Emergency Communications District (the "District") Management's Discussion and Analysis ("MD&A") is intended to provide the reader and user of our financial statements with (a) an understanding of the financial status of the District; (b) an overview of the District's financial activities; (c) an explanation of the changes in the District's financial position; (d) an explanatory analysis of the variations of the annual budgets; and (e) an assessment of any future financial or operating issues of the District.

This discussion and analysis is intended to focus on the fiscal year ending June 30, 2012 activities, resulting changes, and currently known facts and conditions and it should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 10.

**Financial Section**

- Management's Discussion and Analysis
- Independent Auditor's Report on the Financial Statements and Supplementary Information
- Financial Statements and Notes
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Supplementary Information
  - Comparison of Actual Revenues and Expenses to Budget
  - Schedule of Information Required by the Tennessee Emergency Communications Board
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**Notes to the Financial Statements**

The financial statements are on pages 10 to 12. These provide information about the District's financial position as of June 30, 2012, its results of operations for the year ended June 30, 2012, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. These are presented with prior year comparison.

The **Statement of Net Assets**, prepared using the accrual basis of accounting, provides information about what is owned (assets) by the District, what is owed (liabilities) by the District, and what is the District's equity in its assets (net assets). Over time, the comparison of changes in net assets may provide a useful method of evaluating whether the financial position of the District is improving, deteriorating, or maintaining.

The **Statement of Revenues, Expenses, and Changes in Net Assets** provides information about the components - Revenues and Expenses - of the District's annual operating activities and how those activities affected Net Assets.

The **Budgetary Comparison Schedule** provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities.

**Monroe County Emergency Communications District**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2012**

**Condensed Comparative Financial Information**

<b>Statements of Net Assets</b>	<b><u>June 30, 2012</u></b>	<b><u>June 30, 2011</u></b>	<b><u>June 30, 2010</u></b>
Current Assets	\$507,218	\$463,467	\$418,120
Property, Plant, & Equipment, net of accumulated depreciation	306,558	321,557	351,145
Current Liabilities	4,250	-	3,162
Net Assets	<u>\$809,526</u>	<u>\$785,024</u>	<u>\$766,103</u>

**Statements of Revenues, Expenses, and Changes in Net Assets**

<b>For the year ended</b>	<b><u>June 30, 2012</u></b>	<b><u>June 30, 2011</u></b>	<b><u>June 30, 2010</u></b>
Revenues:			
Telephone Surcharges	\$468,352	\$449,786	\$514,001
Contributions from Governments	261,800	276,800	300,250
Other Revenues	54,078	30,589	15,683
Total Revenues	<u>784,230</u>	<u>757,175</u>	<u>829,934</u>
Expenses:			
Operating Expenses	759,728	738,254	688,788
Interest Expense	-	-	543
Total Expenses	<u>759,728</u>	<u>738,254</u>	<u>689,331</u>
Change in Net Assets	<u>\$24,502</u>	<u>\$18,921</u>	<u>\$140,603</u>

This foregoing information is a summary of the financial information contained in the District's audited financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 10.

**Monroe County Emergency Communications District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2012**

### **FINANCIAL HIGHLIGHTS**

- The District's assets increased by \$28,752, or approximately 3.66%, to \$813,776 over the prior year.
- Operating revenues increased by \$18,566, or approximately 4.13%, over the prior year.
- Contributions from primary and other governments decreased by \$15,000, or approximately 5.42%, over the prior year.
- Other nonrecurring operating revenues increased by \$19,422 over the prior year. The District received two grants during the year; a \$29,422 grant for mapping and a \$16,000 grant for dispatcher training.
- Operating expenses, excluding the noncash charge of \$44,022 for depreciation, increased by \$29,380, or approximately 4.28%, over the prior year.

### **ECONOMIC FACTORS**

The District collects \$0.65 per month from a residential telephone tariff and \$2.00 from a business telephone tariff charge. The District also receives a share of a statewide tariff of \$1.00 per month on wireless telephone service. The changes in these revenue sources depends on overall economic conditions in the region and the migration from residential telephone usage to wireless telephone usage in society.

The District also receives contributions from the governments of Monroe County, City of Sweetwater, City of Madisonville, Town of Tellico Plains, and Town of Vonore under an inter-government agreement executed in 1992. The agreements are subject to suggested annual increases by the District, based on expected increases in operating costs.

### **FINANCIAL CONTACT**

The District's financial statements are designed to present users (citizens, taxpayers, creditors, and other governments) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's Director, Clara Hitson, 3473 New Highway 68, Madisonville, Tennessee 37354.

# **PETERS & ASSOCIATES, P.C.**

Certified Public Accountants  
9040 Executive Park Drive, Suite 325  
P.O. Box 32278  
Knoxville, Tennessee 37930-2278

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TELE: 865.694.7128  
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To the Board of Directors  
Monroe County Emergency Communications District  
(a component unit of Monroe County, Tennessee)  
Madisonville, Tennessee

## Independent Auditor's Report

We have audited the accompanying financial statements of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of and for the years ended June 30, 2012 and 2011, as listed in the Table of Contents. These financial statements are the responsibility of the management of the Monroe County Emergency Communications District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of June 30, 2012 and 2011 and the changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2012, on our consideration of Monroe County Emergency Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of audits.



The *Management's Discussion and Analysis* information is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements of Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, taken as a whole. The accompanying financial information listed in the Table of Contents as *Schedule 1 - Comparison of Actual Revenues and Expenses to Budget* and the accompanying information listed in the Table of Contents as *Schedule 2 - Information Required by the Tennessee Emergency Communications Board* is presented for purposes of additional analysis and is not a required part of the financial statements of Monroe County Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

*Peters & Associates*

December 28, 2012

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

STATEMENTS OF NET ASSETS

JUNE 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
<u>Current Assets</u>		
Cash	\$507,218	\$463,467
Total Current Assets	<u>507,218</u>	<u>463,467</u>
<u>Noncurrent Assets</u>		
Capital Assets, Net of Accumulated Depreciation	306,558	321,557
Total Assets	<u><u>\$813,776</u></u>	<u><u>\$785,024</u></u>
 <u>LIABILITIES</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$4,250	\$ -
Total Current Liabilities	<u>4,250</u>	<u>-</u>
<u>Noncurrent Liabilities</u>		
Total Liabilities	<u>4,250</u>	<u>-</u>
 NET ASSETS		
Invested in Capital Assets	306,558	321,557
Unrestricted Net Assets	<u>502,968</u>	<u>463,467</u>
Total Net Assets	<u>809,526</u>	<u>785,024</u>
	<u><u>\$813,776</u></u>	<u><u>\$785,024</u></u>

See accompanying notes to financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OPERATING REVENUES:		
Emergency Telephone Service Charge	\$155,976	\$150,587
TECB - Shared Wireless Charge	145,203	132,046
TECB - Operational Funding	167,173	167,153
	<hr/> 468,352	<hr/> 449,786
OPERATING EXPENSES:		
Salaries and Wages	437,980	422,795
Employee Benefits	133,433	124,264
Contracted Services	87,106	85,621
Supplies and Materials	40,127	38,941
Other Charges	17,060	14,705
Depreciation	44,022	51,928
	<hr/>	<hr/>
Total Operating Expenses	759,728	738,254
	<hr/>	<hr/>
Operating Loss	(291,376)	(288,468)
NONOPERATING REVENUES (EXPENSES):		
Interest Income	1,977	2,067
Contributions from Primary Government	110,000	110,000
Contributions from Other Governments and Agencies	151,800	166,800
TECB Grants	45,422	26,000
Miscellaneous Income	6,679	2,522
	<hr/> 315,878	<hr/> 307,389
Net Income	24,502	18,921
Net Assets, Beginning of Year	<hr/> 785,024	<hr/> 766,103
Net Assets, End of Year	<hr/> <hr/> \$809,526	<hr/> <hr/> \$785,024

See accompanying notes to financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Surcharges and Other Revenues	\$475,031	\$459,814
Payments to Suppliers for Goods and Services	(140,042)	(139,267)
Payments for Payroll, Taxes and Related Benefits	(571,413)	(550,220)
Net Cash Used by Operating Activities	<u>(236,424)</u>	<u>(229,673)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Contributions from Primary and Other Governments	261,800	276,800
Grants received	45,422	26,000
Net Cash Provided by Noncapital Financing Activities	<u>307,222</u>	<u>302,800</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Capital Assets	(29,024)	(22,340)
Retirement of Capitalized Lease Obligation	-	-
Payment of interest on Capitalized Lease Obligation	-	-
Net Cash Used for Capital and Related Financing Activities	<u>(29,024)</u>	<u>(22,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Income Received	1,977	2,067
Net Cash Provided from Investing Activities	<u>1,977</u>	<u>2,067</u>
Net Increase in Cash and Cash Equivalents	43,751	52,854
Cash and Cash Equivalents, Beginning of Year	463,467	410,613
Cash and Cash Equivalents, End of Year	<u><u>\$507,218</u></u>	<u><u>\$463,467</u></u>
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	\$(291,376)	\$(288,468)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	44,022	51,928
Miscellaneous income	6,679	2,522
Change in Accounts Receivable and Other Assets	-	7,506
Change in Accounts Payable	4,251	(3,161)
	<u>54,952</u>	<u>58,795</u>
Net Cash Used by Operating Activities	<u><u>\$(236,424)</u></u>	<u><u>\$(229,673)</u></u>

See accompanying notes to financial statements.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES

A. Introduction.

The financial statements of Monroe County Emergency Communications District (the "District") have been prepared in conformity with all GASB pronouncements as well as FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. After November 30, 1989, the District follows GASB guidance only and does not follow any FASB guidance issued after that date.

B. Reporting Entity.

The District was established according to the provisions of Section 7-86-106, Tennessee Code Annotated. Under its enabling legislation, the District has the powers of perpetual success, but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The District provides a simplified means of securing emergency services through a uniform emergency number for residents of Monroe County. The District is funded by service charges levied on local residential and business telephone services, plus direct contributions from Monroe County, City of Sweetwater, City of Madisonville, Town of Tellico Plains, and the Town of Vonore. The District also receives a share of a statewide tariff on wireless telephone service. Before the issuance of most debt instruments, the District must obtain the approval of the County Commission. The powers of the District are vested in and exercised by a majority of the nine members of its board of directors who are appointed by and represent various governmental bodies of Monroe County including the County Commission, Monroe County Highway Department, the County Sheriff, a representative from the City of Sweetwater, City of Madisonville, Town of Vonore, Town of Tellico Plains, and a member of the general public.

The District is a component unit of Monroe County, Tennessee government. Monroe County government contributes approximately 15% of the District's annual revenues and is the largest contributor out of five governmental bodies that contribute to the District under an inter-government agreement.

C. Basis of Accounting.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Monroe County Emergency Communications District accounts for its activities by using the accrual basis of accounting. The revenues are recognized when they are earned. The expenses are recognized when they are incurred.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Accounts Receivable.

Accounts receivable primarily consists of surcharges receivable from local telephone companies and contributions receivable from local city and county government entities.

E. Budgeting and Budgetary Control.

The revenues and expenses are accounted for by a formal integrated budgetary accounting system in accordance with various legal requirements that govern the operations. Expenses are budgeted at the legal level of control which is at the line item level. The approved budget is integrated into the accounting system and employed as a management control device during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The budgets reflected in the accompanying *Schedule 1 - Comparison of Actual Revenues and Expenses to Budget* are the budgets for the year ended June 30, 2012, as amended. Appropriations lapse at year end. Increases in appropriations must be approved by the District's Board of Directors.

F. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts.

The District's personnel policy does not permit an employee to accumulate sick and vacation days in excess of a normal year's accumulation; therefore the unrecorded liability associated with sick and vacation pay is not in excess of a normal year's accumulation.

G. Revenue.

Operating Revenue. The District's primary sources of revenue are surcharges on Monroe County telephone service and a share of a statewide tariff on wireless telephone service. The District receives the surcharges less administrative fees paid for collecting the surcharges. The District also receives operational funding from the Tennessee Emergency Communications Board.

Non-operating Revenue. The District receives direct contributions from Monroe County, City of Sweetwater, City of Madisonville, Town of Tellico Plains, and the Town of Vonore under an inter-government agreement. The District also periodically receives grants from various sources.

H. Capital Assets.

Capital assets are stated at cost and depreciated or amortized over the estimated useful life of each asset. Depreciation and amortization are computed using the straight-line method.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

1. SIGNIFICANT ACCOUNTING POLICIES (continued):

I. Reclassifications.

Certain reclassifications have been made to the June 30, 2011 financial statement presentation to correspond to the current year's format. Total retained earnings and net income are unchanged due to these reclassifications.

2. CASH

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, demand accounts at credit unions, repurchase agreements, and U.S. Government securities with original maturities of less than three months.

All cash deposits for the Monroe County Emergency Communications District are maintained on deposit with local banks. Cash deposits amounted to \$507,218 and \$463,467 at June 30, 2012 and 2011, respectively. State of Tennessee statutes require that banks pledge securities against bank balances in excess of the amounts protected by the Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2012, the entire bank balances were covered by federal depository insurance, or by collateral held in the Tennessee Bank Collateral Pool (the "Pool"). The Pool is a multiple financial institution collateral pool to which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The Pool also has the ability to make additional assessments on a pro rata basis to the members of the Pool if the value of collateral is inadequate to cover a loss.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

3. CAPITAL ASSETS

A summary of changes in capital assets is as follows for fiscal year ended June 30, 2012:

	<u>2011</u>	<u>Additions</u>	<u>Provision</u>	<u>Deletions</u>	<u>2012</u>
Building	\$177,247				\$177,247
Less accumulated depreciation	(43,959)		(4,455)		(48,414)
	<u>133,288</u>				<u>128,833</u>
Equipment					
Communication equipment	589,234	28,430			617,664
Less accumulated depreciation	(434,506)		(28,659)		(463,164)
	<u>154,728</u>				<u>154,500</u>
Office equipment	41,562				41,562
Less accumulated depreciation	(35,566)		(1,200)		(36,766)
	<u>5,996</u>				<u>4,796</u>
Other equipment	41,094				41,094
Less accumulated depreciation	(28,710)		(3,492)		(32,202)
	<u>12,384</u>				<u>8,892</u>
Furniture and fixtures	25,493	593			26,086
Less accumulated depreciation	(16,516)		(1,268)		(17,785)
	<u>8,977</u>				<u>8,301</u>
Capitalized lease - vehicle	24,738				24,738
Less accumulated depreciation	(18,554)		(4,948)		(23,501)
	<u>6,184</u>				<u>1,237</u>
	<u>\$321,557</u>	<u>\$29,023</u>	<u>(\$44,022)</u>	<u>\$ -</u>	<u>\$306,559</u>



MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

3. CAPITAL ASSETS (continued):

A summary of changes in capital assets is as follows for fiscal year ended June 30, 2011:

	<u>2010</u>	<u>Additions</u>	<u>Provision</u>	<u>Deletions</u>	<u>2011</u>
Building	\$177,247				\$177,247
Less accumulated depreciation	(39,504)		(4,455)		(43,959)
	<u>137,743</u>				<u>133,288</u>
Equipment					
Communication equipment	568,001	21,233			589,234
Less accumulated depreciation	(398,107)		(36,399)		(434,506)
	<u>169,894</u>				<u>154,728</u>
Office equipment	40,455	1,107			41,562
Less accumulated depreciation	(34,384)		(1,182)		(35,566)
	<u>6,071</u>				<u>5,996</u>
Other equipment	41,094				41,094
Less accumulated depreciation	(25,172)		(3,538)		(28,710)
	<u>15,922</u>				<u>12,384</u>
Furniture and fixtures	25,493				25,493
Less accumulated depreciation	(15,110)		(1,406)		(16,516)
	<u>10,383</u>				<u>8,977</u>
Capitalized lease - vehicle	24,738				24,738
Less accumulated depreciation	(13,606)		(4,948)		(18,554)
	<u>11,132</u>				<u>6,184</u>
	<u>\$351,145</u>	<u>\$22,340</u>	<u>\$(51,928)</u>	<u>\$ -</u>	<u>\$321,557</u>

Depreciation charged to revenues was \$44,022 and \$51,928 for the years ended June 30, 2012 and 2011, respectively.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

4. CAPITALIZED LEASE OBLIGATION

On October 1, 2007, the District entered into a financing lease with Ford Motor Credit Company for a vehicle. The terms of the lease call for the District to make three annual payments of \$8,778, with the last payment dated October 3, 2011. The lease carried an interest rate of 6.60%. Title passes to the District after the final payment. The lease was secured by a vehicle with a carrying value of \$1,237.

5. RISK MANAGEMENT

It is the policy of the District to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers compensation, and employee health and accident. The District also maintains a surety bond in the amount of \$50,000 on certain members of the Board of Directors and the District's employee director. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

6. FACILITIES

In June 2001 Monroe County Emergency Communications District moved into facilities built and owned jointly with the Monroe County Road Department. The underlying land is owned by Monroe County.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

7. PENSION PLAN

A. Plan Description

Employees of Monroe County Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Monroe County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

B. Funding Policy

Monroe County Emergency Communications District's plan requires employees to contribute 5% of earnable compensation.

Monroe County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 5.90% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirements for Monroe County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

C. Annual Pension Cost

For the year ending June 30, 2012, Monroe County Emergency Communications District's annual pension cost of \$23,468 to TCRS was equal to Monroe County Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2009 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Monroe County Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 14 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$23,468	100%	\$0
June 30, 2011	\$21,663	100%	\$0
June 30, 2010	\$21,100	100%	\$0

MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
(a component unit of Monroe County, Tennessee)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 and 2011

**D. Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.41% funded. The actuarial accrued liability for benefits was \$0.67 million, and the actuarial value of assets was \$0.64 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.37 million, and the ratio of the UAAL to the covered payroll was 8.44%.

The schedules of funding progress, presented as required supplementary information (RSI) present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time ---- relative to the AALs for benefits.

**Schedule of Funding Progress for Monroe County Emergency Communications District, #83419**

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / c)
July 1, 2011	\$641	\$672	\$31	95.41%	\$365	8.44%
July 1, 2009	\$470	\$502	\$32	93.63%	\$328	9.76%
July 1, 2007	\$387	\$422	\$35	91.71%	\$316	11.08%

**MONROE COUNTY EMERGENCY COMMUNICATIONS DISTRICT**  
(a component unit of Monroe County, Tennessee)

**COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET  
FOR THE YEAR ENDED JUNE 30, 2012**

	ACTUAL (ACCRUAL BASIS)	BUDGET (ACCRUAL BASIS)	VARIANCE - UNDER (OVER)
<b>OPERATING REVENUES:</b>			
Emergency Telephone Service Charge	\$155,976	\$140,000	\$15,976
TECB - Shared Wireless Charge	145,203	120,000	25,203
TECB - Operational Funding	167,173	148,000	19,173
Total Operating Revenues	468,352	408,000	60,352
<b>OPERATING EXPENSES:</b>			
<b>Salaries and Wages</b>			
Director	57,000	57,000	-
Dispatchers	273,581	273,581	-
Overtime Pay	25,283	25,283	-
Part-time Personnel	24,233	24,233	-
Address/Clerical Personnel	57,882	57,882	-
<b>Employee Benefits</b>			
Social Security & Medicare Taxes	36,778	36,778	-
Unemployment Compensation	435	800	365
Medical Insurance	70,851	76,940	6,089
Life Insurance	1,722	1,800	78
Retirement	23,647	23,647	-
<b>Contracted Services</b>			
Addressing/Mapping Expenses	36	100	64
Auditing Services	4,250	6,000	1,750
Legal	-	500	500
Maintenance Agreement	7,493	8,821	1,328
Accounting Services	7,000	7,000	-
Janitorial Services	380	601	221
Systems Manager	12,000	12,000	-
MCIC/TBI/TIES Expenses	8,000	8,500	500
Lease - Communications Equipment	36,994	36,994	-
Maintenance and Repairs - Communications Equip.	2,766	3,000	234
Maintenance and Repairs - Office Equipment	1,251	2,000	749
Maintenance and Repairs - Buildings and Facilities	5,249	6,000	751
Maintenance and Repairs - Vehicle	1,687	2,000	313

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(a component unit of Monroe County, Tennessee)  
**COMPARISON OF ACTUAL REVENUES AND EXPENSES TO BUDGET**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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	ACTUAL (ACCRUAL BASIS)	BUDGET (ACCRUAL BASIS)	VARIANCE - UNDER (OVER)
Supplies and Materials			
Office Supplies	6,407	7,000	593
Custodial Supplies	2,089	2,089	-
Postage	226	800	574
Small Equipment Purchases	483	1,000	517
Uniforms	360	1,000	640
Utilities - Electric	8,681	8,900	219
Utilities - Gas	201	250	49
Utilities - General Telephone	19,497	19,497	-
Utilities - Cell Phones and Pagers	1,064	1,500	436
Other Supplies and Materials	1,120	1,200	80
Other Charges			
Dues and Memberships	426	1,000	574
Insurance - Workers Compensation	1,674	2,000	326
Insurance - Liability	4,713	4,800	87
Insurance - Building and Contents	4,101	4,200	99
Insurance - Vehicles	478	500	22
Legal Notices	184	400	216
Training Expense	1,324	2,000	676
Travel Expense	4,159	4,159	-
Surety Bond Premium	0	500	500
Depreciation	44,022	44,022	-
Total Operating Expenses	<u>759,727</u>	<u>778,277</u>	<u>18,550</u>
Operating income (loss)	(291,375)	(370,277)	78,902
NON-OPERATING REVENUES:			
Monroe County Contributions	110,000	110,000	-
Town of Vonore Contributions	20,000	20,000	-
Town of Tellico Plains Contributions	11,100	15,000	3,900
City of Sweetwater Contributions	55,700	70,700	15,000
Town of Madisonville Contributions	65,000	65,000	-
Tena Grants	45,422	16,000	(29,422)
Interest Income	1,977	3,000	1,023
Miscellaneous Income	6,679	700	(5,979)
Total Non-operating Revenues	<u>315,878</u>	<u>300,400</u>	<u>(15,478)</u>
Net Income (Loss)	<u>\$24,503</u>	<u>\$(69,877)</u>	<u>\$(94,380)</u>

# **PETERS & ASSOCIATES, P.C.**

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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
Monroe County Emergency Communications District  
(a component unit of Monroe County, Tennessee)  
Madisonville, Tennessee

We have audited the financial statements of the Monroe County Emergency Communications District, a component unit of Monroe County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Monroe County Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County Emergency Communications District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Monroe County Emergency Communications District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Monroe County Emergency Communications District's financial statements that is more than inconsequential will not be prevented or detected by Monroe County Emergency Communications District's internal control.



A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Monroe County Emergency Communications District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County Emergency Communications District's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the District's Board of Directors, and government regulatory and granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Peters & Associates*

December 28, 2012